

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 13 Small and Simplified Purchase Procedures

Subject: 13.4 Purchase Card Program

PURPOSE: This standard practice (SP) establishes the requirements for the Laboratory's purchase card program.

POLICY: The Laboratory will ensure that transactions under its purchase card program are supported by adequate policies, procedures, and management controls to guard against fraud, waste, or abuse and the incurrence of unallowable costs.

SCOPE: This SP applies to all activities associated with the purchase card program.

DEFINITIONS:

Approving Official An approving official is an individual at a supervisory level who is responsible for reviewing/approving purchases made by the cardholder.

Cardholder A cardholder is an individual who has been delegated written authority to use a purchase card by the Procurement Manager.

Personal Property There are two categories of personal property as follows:

- Equipment (sometimes referred to as controlled property) is property that has a purchase or fabrication cost of \$5,000 or more and requires maintenance of continuous records. These property items are tagged and are controlled consistent with Property Management policy and procedures.
- Sensitive property is property that has not exceeded its service life, is highly portable, is easily converted to personal use, is more susceptible to theft than other Laboratory property, and, generally has an acquisition value of \$300 or more. A DOE approved Sensitive Property Items List that identifies the items that are controlled as sensitive property is provided as an exhibit to SP 45.1, *Government Property*. These property items are tagged and are controlled consistent with Property Management policy and procedures.

Purchase Card Program Administrator (Administrator) The Administrator is the Distributed Purchasing Unit (DPU) Manager within Procurement who is responsible for the day-to-day management and operation of the purchase card program.

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PROCEDURES:

General

The Laboratory is authorized to use purchase cards as a cost-effective mechanism for acquisition of low cost goods and services. Purchase cards provide a useful tool for reducing transaction costs and facilitating timely acquisition of low-cost goods and services.

The Laboratory's purchase card program is managed by the Procurement organization. The program includes the key elements outlined in DOE AL-2002-07, *Review of Management Contractors Purchasing Systems – Purchase Card Considerations*, dated 10/02/02, as specified within this SP.

The Procurement organization provides detailed instructions to cardholders and approving officials regarding the use of the purchase card consistent with this SP. The instructions include:

- Controls to ensure the appropriateness of the transaction and the absence of fraud, waste or abuse (e.g., controls requiring each purchase or class of purchases to be reviewed and approved in advance and/or subsequent to the transaction by a designated independent reviewing or approving official).
- Controls requiring that invoices, packing lists, or other documentation identifying the goods or services received are reviewed by the cardholder and/or the designated approving official, in order to confirm the appropriate billing and actual receipt of the ordered item or service, and that the ordered and received goods or services are the same as those requested.
- Spending limits that have been established in accordance with guidelines recommended by the Procurement Manager and approved by the Chief Financial Officer:
- Compliance with account authority guidelines and approval processes prescribed by the Laboratory's Chief Financial Officer.
- Types of goods and services that cardholders are authorized to purchase.
- Identification of prohibited or unauthorized purchases.
- Requirements that specify that purchase cards may be used only for goods and services that are otherwise allowable under the Laboratory's Prime Contract (see SP 31.3, *Unallowable Costs*).

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- A process to request approval to deviate from established Laboratory requirements.

Designation of an Administrator

The Laboratory will designate an Administrator and/or other Procurement officials responsible for maintenance of policies and procedures; interface with the issuing bank, UC, and the DOE Contracting Officer; and overall purchase card program management and oversight.

Request for a Purchase Card

All requests for a purchase card must be submitted in writing to the Administrator by the DPU supervisor, in accordance with Laboratory guidance.

The cardholder and approving official will be required to attend purchase card training prior to the cardholder receiving a purchase card or assuming their role.

Issuance of Purchase Cards to Procurement Specialists -

The University's Vice-President for Financial Management, or his/her designee designated in writing, must approve all requests to issue a purchase card to a procurement specialist. Upon approval, prior to receiving a purchase card or assuming their role, these individuals must complete the same training required of purchase cardholders. In addition, procurement specialists will be responsible for complying with the same requirements as other cardholders.

The DPU cardholders, who are managed by Procurement and place orders for division customers, are permitted to have purchase cards as long as each purchase card is used as prescribed under this SP.

Issuance of Purchase Cards to Non-University Employees -

It is the Laboratory's practice to not issue purchase cards to non-University employees. Should a special circumstance arise for which a Laboratory needs to make an exception to this practice, a written request must be submitted to the University's Vice-President for Financial Management, or his/her designee designated in writing, who must approve all requests to issue a purchase card to personnel who are not employees of the University. Upon approval, these individuals must complete the same training required of University employees prior to receiving a purchase card or assuming their role. In addition, these individuals will be responsible for complying with the same requirements as other cardholders.

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**Surrender of
Purchase Card**

The Administrator is responsible for ensuring that a purchase card is surrendered and/or cancelled with the bank, upon cardholder's termination of need or termination of employment.

**Cardholder
Authorization and
Approving Official
Designation**

The Procurement Manager must formally authorize a cardholder to commit funds for the Laboratory in writing. The authorization must identify the individual purchase threshold imposed by the Laboratory.

The Administrator maintains records identifying each cardholder's approving official. The cardholder's organization must notify the Administrator in writing, should the approving official designation change.

Personal Property

Using a purchase card to acquire equipment valued at \$5,000 or more and sensitive property is normally prohibited. Such purchases may only be allowed if approved in writing prior to purchase by the Administrator and the Property Manager.

In addition, where a specific purchase order or subcontract is in place and a purchase card is used solely for payment, the above prohibition does not apply.

All equipment and sensitive property must be tagged and entered into the Laboratory's property management system in accordance with Laboratory procedures.

Disputes

Cardholders are responsible for promptly resolving all disputed costs with the purchase card provider and the merchant. Cardholders must formally notify the purchase card issuing bank and the Administrator of disputed costs within 60 days of the costs appearing on the cardholder's statement of account. If the disputed costs cannot be resolved within 60 days, the cardholder must notify the Administrator, who will track the disputed costs to ensure cardholder follow-up is accomplished. This will not relieve the cardholder of working the issue to resolution.

**Payment
Mechanism**

When a purchase card is to be used as a payment mechanism, the Procurement Manager will establish the necessary guidelines.

**Purchase Card
User Population**

The Laboratory will limit the purchase cardholder population to the minimum necessary to meet operational necessity, and allow for adequate training, certification, audit, assessment, and supervision.

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A maximum span of control ratio of 10:1 between cardholders and approving officials must be maintained. A higher span of control will be permitted only when approved by the University's Vice-President for Financial Management and the DOE Contracting Officer.

Training

Cardholders and approving officials must complete training prior to receiving a purchase card or assuming their role. Training may be more comprehensive and detailed for cardholders than for approving officials.

New Cardholder Training – At a minimum, the training for new cardholders will cover:

- Review of Laboratory policies and procedures regarding purchase card usage;
- Restrictions and prohibitions regarding use of the purchase card (e.g., unallowable costs, restricted items, split orders, dollar spending limitations, participation in promotional programs that result in personal gain);
- Ramifications for misuse or abuse of the purchase card;
- Dispute resolution and importance of timely resolution;
- The need to safeguard the purchase card and its account number at all times;
- Reporting of a lost or stolen purchase card or compromised account number;
- Documentation (e.g., requests and approvals, invoices, receipts, packing lists, or other documentation confirming billing and receipt) and retention requirements;
- Procedures for reconciling the cardholder's statement of account and importance of timely reconciliation;
- Requirements for handling taxes;
- Source and vendor restrictions;
- Property management considerations (e.g., pre-approvals, restrictions and prohibitions, and tagging);
- Role of the approving official;
- Sanctions for noncompliance with policies and procedures;
- Methods of oversight and types of reviews; and
- Proper procedures for surrendering purchase cards upon termination of employment or retirement.

Upon completion of training, the Administrator will arrange for

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the cardholder to receive written authority from the Procurement Manager to commit funds for the Laboratory. The cardholder must then sign a statement that he/she acknowledges and understands the requirements associated with the proper use of the purchase card.

Refresher Training – Cardholders and approving officials are required to complete refresher training annually in accordance with the Procurement Manager's direction.

Oversight and Reviews

The Laboratory will ensure that procedures exist for annual or periodic self-assessment, or for an internal audit or review of the effectiveness of the Laboratory's purchase card policies and procedures. The procedures shall describe the types and frequency of reviews, sampling methodology to be used, and data retention requirements, as approved by the DOE Contracting Officer.

Such assessments will include the following elements:

- Review of a statistical sample of cardholder records to determine compliance with Laboratory purchase card policies and procedures;
- System edits, data mining, or visual inspection of transaction records for questionable transactions, sufficiency of purchase descriptions and transaction amounts, potentially unallowable costs, purchases of restricted items, split transactions, or potential fraud, waste, or abuse;
- Independent reviews by DOE as determined necessary; and
- Validation of corrective action.

Results of all self-assessments, reviews, and audits, including the identification of any transactions that have or may have resulted in unallowable costs (see SP 31.3, *Unallowable Costs*), will be provided to UC Laboratory Administration and the DOE Contracting Officer.

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Sanctions

Established guidelines for appropriate sanctions to address any abuse or misuse of purchase cards by cardholders or approving officials must be in place. All sanctions must be carried out in a timely manner.

Sanctions will be imposed for any unallowable cost; fraud, waste or abuse; or any other serious or chronic misuse of a purchase card by a cardholder or approving official. Any suspected fraud, waste, or abuse must be immediately referred to the appropriate Laboratory Security and/or Internal Audit organization for appropriate action.

RESPONSIBILITIES:

Administrator

The Administrator shall:

- Administer the purchase card program consistent with this SP;
- Interface with the purchase card issuing bank;
- Develop and conduct mandatory initial and refresher purchase card training for purchase cardholders and approving officials;
- Process requests for issuance of new purchase cards;
- Maintain an up-to-date listing of all authorized cardholders, their delegations of authority, and their respective approving officials;
- Monitor reconciliations and unresolved disputes;
- Report any abuse or misuse of a purchase card to the Procurement Manager and recommend appropriate corrective action and sanctions;
- Ensure that transactions are periodically sampled to verify that appropriate credits are being received from the purchase card issuing bank;
- Ensure that regular reconciliation of bank statements to the financial system are performed;
- Ensure that purchase cards are surrendered and/or cancelled upon termination of a cardholder's need or termination of employment; and

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Procurement Manager

- Cooperate with investigations of suspected fraud, waste, or abuse.

The Procurement Manager shall:

- Oversee the purchase card program;
- Formally authorize new cardholders to commit funds for the Laboratory;
- Plan and provide for regularly scheduled audits, reviews, and/or oversight;
- Ensure that sanctions are imposed for the abuse or misuse of a purchase card by a cardholder or approving official;
- Cooperate with investigations of suspected fraud, waste, or abuse;
- Interface with UC and the DOE Contracting Officer on issues identified as a result of self-assessments, audits, and reviews; and
- Ensure adherence with the requirements of the purchase card program.

Cardholder

The cardholder shall:

- Attend mandatory new cardholder and annual refresher training;
- Acknowledge in writing that he/she understands the requirements associated with proper use of the purchase card;
- Comply with Laboratory policies, procedures, and program updates related to the use of purchase cards, including limitations on transaction limits, monthly, and/or annual spending limits, and prohibited items;
- Review on a timely basis, documentation related to all purchases to confirm the appropriate billing and actual receipt of the ordered and received goods or services are the same as those requested;
- Surrender purchase card to the Administrator and/or notify the Administrator upon termination of need or termination of employment;

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- Cooperate with investigations of suspected fraud, waste, or abuse;
- Maintain proper documentation associated with purchase card transactions;
- Reconcile the monthly statement of account on a timely basis;
- Promptly process all purchase card transactions including prompt resolution of merchant and bank disputes; and
- Verify that proper transactional credit amounts are received from the purchase card issuing bank and rebates are received from the vendor when available and appropriate.

Approving Official

The approving official shall:

- Attend mandatory initial and annual refresher training;
- Review and approve on a timely basis, all cardholder transactions to confirm appropriateness and actual receipt of the goods or services ordered;
- Notify the Administrator or Procurement Manager of any cardholder non-compliance;
- Cooperate with investigations of suspected fraud, waste, or abuse; and
- Take or recommend corrective action in cases where purchase cards have been used inappropriately, and when appropriate, disciplinary action.

REFERENCES:

DOE Acquisition Letter 2002-07, Review of Management Contractors Purchasing Systems – Purchase Card Considerations

Distributed Procurements Policy and Guidelines